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DEVELOPMENT CO-OPERATION DIRECTORATE

SERVICE DELIVERY IN FRAGILE STATES: ADVANCING DONOR PRACTICE

Concept Note Prepared by USAID AND UNICEF
DAC Fragile States Group (FSG)

This Note, prepared jointly by USAID and UNICEF, is intended to provide a vision of the FSG workstream on service delivery in Fragile States and an overview of how it is proposed to achieve that objective, both in terms of the analytical approach that will guide the work and the collaborative process that will be used to carry it out.

This concept note was approved at the FSG meeting held on 27 May 2005.

Note: At the last Learning and Advisory Process on Difficult Partnership (LAP) meeting participant proposed to change the name of the LAP to the Fragile States Group (FSG)

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1. In 2004, the DAC's Fragile States Group (FSG) [formerly known as the DAC Learning and Advisory Process on Difficult Partnerships (LAP)] commissioned a workstream on service delivery in fragile states. USAID and UNICEF volunteered to lead a task team initially composed of the HLF Secretariat, the World Bank, DFID and the FSG Secretariat. The objective of this workstream is to provide practical guidance on how to build capacity for effective and legitimate service delivery in fragile states. This guidance will be derived from a combination of innovative thinking and documented examples of service delivery systems in fragile states that are both effective and responsive to the needs of the poor. This Note is intended to provide our vision of the workstream and an overview of how we propose to achieve that objective, both in terms of the analytical approach that will guide the work and the collaborative process that will be used to carry it out. The FSG will be asked to endorse this approach when it meets on May 27, 2005.

Vision

2. The task team will lead a multi-donor collaborative effort to provide practical and relevant guidance to both donors and affected countries on how to improve service delivery in fragile states. Learning from this work will feed into the development of the principles for engagement in fragile states. It will build upon previous research by the World Bank, DFID and other donors to examine common problems that affect service delivery in multiple sectors.¹ It will examine four specific sectors – health, education, potable water policing – to draw out major lessons learned.

3. This workstream will be successful to the extent that all FSG members participate, as it is through the process of reflection and consultation that good practices and insights will emerge. It will rely on contributions of intellectual, financial and time resources from a wide range of FSG members in order to build donor consensus on specific lessons learned and programmatic guidance.

Analytical Orientations

4. Improving service delivery in fragile states is a daunting task. Not only are the operational environments challenging, but contending with the wide range of policy, technical, and political issues is analytically complex. To gain some traction on this difficult problem, we propose to draw from two analytical approaches. One approach, largely driven by the World Bank, has emerged from efforts to understand the factors that account for effective—and ineffective—service delivery for the poor. The other approach draws from the rapidly expanding analysis of fragile states, to which numerous donors, think tanks and academics are contributing. Neither approach, by itself, is sufficient. But an overlay of the two should provide the analytical tools and the orienting questions needed to guide the workstream.

Insights from Work on Service Delivery

5. There is renewed interest in understanding the constraints to effective delivery of services in developing countries. Achieving the Millennium Development Goals is contingent on establishing effective and durable means to provide health care, education and other social services. The World Bank devoted the World Development Report 2004 (WDR2004) to *Making Services Work for Poor People*. The report's principle finding is that the biggest impediment to effective service delivery is not the amounts of money spent to provide health care, primary education or other services, but the way the service delivery system is organized.

¹ Among others please see: *World Development Report 2004: Making Services Work for Poor People*, Washington, DC: The World Bank, 2003; *Why We Need to Work More Effectively in Fragile States*, London: Department for International Development, January 2005.

Figure 4 The framework of accountability relationships



Source: World Development Report 2004: Making Services Work for Poor People, The World Bank 2003, p.6.

6. Where service delivery is effective, there are strong relationships between three categories of actors: **policymakers**, who decide the level and quality of services to be offered, the service **providers**, who deliver the services, and **clients** (poor people), who are both consumers of services and the constituents of the policymakers.

7. As the figure indicates with arrows, effective service delivery is most likely when there are relationships of accountability between the three categories of actors. One path of accountability occurs when clients can hold policymakers accountable (as through elections or democratic participatory decision-making processes) and policymakers hold providers accountability through rigorous compacts that specify service delivery standards, establish systems of monitoring and provide sanctions for non-compliance. Another path of accountability occurs when clients can make demands on providers directly.

8. In addition to capturing the characteristics of strong service delivery systems, the World Bank's basic service delivery model also proves useful in diagnosing instances where serviced delivery is wanting. In those instances, one or more of the linkages is broken. With a break in the chains of accountability, providers have fewer incentives to be responsive to clients. Rebuilding the chains of accountability can create a virtuous cycle when policymakers involve clients and providers in planning and decision-making about services, increasing accountability and transparency, and building more sustainable service delivery.

9. Another important insight from the 2004 World Development Report is that services are inherently different. Some, like electricity generation, require substantial investments in infrastructure. Others do not. Some, like inoculations have broad public benefits. Others, like agricultural extension primarily benefit individuals. Some services, like education or health care, require providers to exercise considerable discretion to tailor the service to the particular needs of clients. Others, like selling postage stamps, are highly routinized and require little discretion. Even so, the basic service delivery model applies. Effective delivery of all of these services still requires strong relationships of accountability. That said, effective service delivery systems are those that are well adapted to the inherent nature of the service being delivered. In other words, the most appropriate configuration of relationships between policymakers, providers and clients can be expected to vary. Some are most effectively treated at the national level. Others may be more effectively delivered in more decentralized ways, through municipal or regional units or, indeed, by the private sector. In short, one size—and one service delivery model—does not fit all.

10. The 2004 World Development Report also points to an irreducible role for the state. At some level the state plays a policymaking role. Even in those instances where the state contracts out for services or establishes competitive markets, it is still making policy with respect to the types and levels of service to be provided. In those instances where service delivery deals with issues of public safety, public health or social infrastructure, states can be expected to assume an even greater role of oversight and regulation, both as a policymaker and as a direct provider of services. In fragile states, the state is unable or unwilling to assume these roles, making service delivery in these countries difficult.

Insights from Work on Fragile States

11. While fragile states may differ in terms of their experiences with civil conflict or their commitments to broad-based development, they all share common characteristics. They are amongst those countries most off track to meet the MDGs – they contain a third of those living on less than a dollar a day and half of all children who die before the age of five. They also share deficits in governance. Whether those deficits manifest themselves as unwillingness or inability to marshal resources for the benefit of its citizens, fragile states create conditions that make development difficult. While capable states are able to establish preconditions for long-term development (sufficient stability and a strong institutional framework for savings and investment); fragile states cannot or will not. In fragile states, conditions are too fluid and too risky to make savings and long term investment attractive. Instead, society focuses on the near term and securing its most basic needs. At times these needs are met by creative local solutions. These solutions may be the basis for a sustainable system, or may be coping mechanisms that are not sustainable in the long run.

12. Another characteristic of some fragile states is their low absorptive capacity. While the inability to make effective use of aid flows is certainly a problem as it limits the types of aid instruments that may be employed usefully, low human absorptive capacity may be more of a constraint. The absolute lack of trained workers or the lack of appropriate incentives for those available undermines any effort to build national capacities.

13. In some fragile states, conflict and physical security are issues. These volatile settings pose a set of particular problems. Not only do all donors —whether humanitarian or developmental in nature—have to consider how their work interacts with the conflict dynamics, but they must also determine how prevailing levels of security will affect the types of assistance that can be provided and the abilities of the affected people to gain access to that assistance.

14. This range of challenges suggests applying assistance in fragile states in pursuit of four goals: meeting immediate needs, security, reform, and capacity building. Though not a rigid hierarchy, there is a logical sequencing to them. A measure of physical security is necessary to make relief, much less development, possible. Without reform of policies and institutions that addresses incentives and expectations, capacity building will be largely futile. However, the consequence of an emphasis on security and reform in fragile states is engagement with political actors and political dynamics. Depending on the circumstances, engagement in fragile states may entail supporting policy champions and containing spoilers who prefer violent or autocratic means to achieve their objectives. It may mean prioritizing political over technical considerations in the choice of developmental activities or the targeted population. Or it may mean accepting a lower level of service effectiveness in the short run, in order to promote national participation that will be essential for longer-term ownership.

Service Delivery and Fragile States

15. Even this short synopsis of insights from the recent work on service delivery and on fragile states provides an indication of the complexities arising from their over FSG : improving service delivery in

fragile states. As mentioned earlier, the fundamental problem is that the state has an important role to play in any service delivery system, even if it is just to establish the contours of an enabling environment for private (non-governmental) provision. And yet, the defining characteristic of fragile states is that they are weak and thus cannot or will not assume their essential role. Service delivery suffers concomitantly. In some instances, there is a break in the accountability of the state to its citizens. This can frequently lead to services being delivered only to a privileged few. In other instances, the state provides no check on providers, perhaps because the state is itself the provider. This can lead to low levels of effectiveness or to the mutation of government services into a means for extracting rents from clients.

16. Faced with a weak state, donors and their development partners have frequently adopted a strategy that substitutes an international agency or non-governmental organization for the state. This is particularly the case in humanitarian emergencies, where there is a short-term urgent need to provide access to certain services. In these instances, the international entity assumes some, or all, of the policy making task, including identifying the level and quality of services to be delivered. Frequently these entities also provide the services to the client. While this approach may produce short-term benefits in terms of enhanced service delivery, it is not without costs in terms of building sustainable service delivery systems for the long-term. This “two-track problem” poses a real dilemma between mitigating immediate humanitarian needs and delaying the establishment of durable, local service delivery.²

17. These are but some of the issues the workstream will tackle in the months to come. However, we feel that melding the analytical insights offered by the World Bank’s basic service delivery model to the growing understanding fragile states dynamics will yield the practical guidance we ultimately seek. The next section provides more detail on how we propose to organize the working going forward.

Methodology

18. We propose to pursue the work from two vantage points. One vantage point is to focus on individual service delivery systems. We propose to look at four: health, education, potable water and policing. We chose to look at discrete systems both in recognition of the inherent differences in services, but also because service delivery tends to be organized sectorally both in fragile states and in development agencies. We selected the first three as they are ones in which the donor community has many years of experience to build upon, and that are critical basic services in fragile states. The last delivery system, policing is increasingly important as donors work with host governments to address issues of security and security sector reform. In addition, all four are characterized by substantial state involvement worldwide.

19. The second vantage point is by operating context. As noted earlier, although fragile states are all characterized by weak governance, they differ in terms of their governance deficiencies. They also differ with respect to their experience with violent conflict. We propose to examine a number of stylized fragile environments to see how they affect the operations of the four service delivery systems. The basic parameters for these environments are state and societal capacity, political will for delivering services, state legitimacy, and experience with violence. The stylized environments will be supported by real-world examples in each sector drawn from donor and state experience in service delivery. The four environments are:

- *Deterioration:* States where the ability (or willingness) of the state to perform its functions is in decline (indicators for governance, education, health etc are falling). This poor performance frequently springs from chronic low capacity, and is often associated with very weak rule of law,

² Commins, Stephen. “Service Delivery in LICUS Contexts: Balancing Short-term Provision with Longer-term Institutional Goals”, Discussion Note, The World Bank, March 2005.

territory beyond the control of government etc. These countries are often experiencing conflict or are highly vulnerable to conflict.

- *Post-Conflict Transition*: These states offer a window of opportunity (typically after the signing of a peace agreement, or the holding of elections) for stakeholders to work together with government on a program of reform. However, the transition is fragile, with the prospect of return to conflict remaining high.
- *Arrested Development*: States that fail to use their authority for pro-poor outcomes. The state's ability to exert its will might be very weak (anarchic), or very strong (authoritarian). Donors are typically unwilling to deal with the state directly.
- *Early Recovery*: Countries where some efforts are being made to improve performance, but where performance is patchy. These countries might be post-post conflict or countries where conflict is not the primary driver. Often, there is no strong leadership championing reform within government, and capacity to implement reforms is generally weak.

20. This “cross-cutting” analysis also will permit examination of a number of other issues that confront service delivery in fragile states including: the overarching theme of donor harmonization and alignment, sequencing and other approaches to address low absorptive capacity, and financing sustainability in different fragile environments.

21. Taking both perspectives together yields the following matrix which will serve as a guide for the workstream:

Contexts	Health	Education	Water	Policing
Deterioration				
Post-Conflict Transition				
Arrested Development				
Early Recovery				

22. To accomplish this work, we propose to create five separate sub-task teams: one each for the four service delivery systems and a fifth to take on the analysis of the fragility contexts and cross-cutting issues. To ensure consistency of approach and coordination of effort, a member of the task team will be assigned to each sub-task team. We hope that all FSG members will join one or more of the sub-task teams.

Process

23. The international community has limited evidence as to the impact of its service delivery interventions in difficult environments. It has proven challenging to find empirical support in existing literature for the extent to which service delivery interventions effect on fragility, longer-term social and political change, and human development. Given this, the next step will be to test these hypotheses through practical analysis in fragile states. The task team has agreed on a three phase process for the work, which is outlined below.

24. Phase 1: Framing & Grounding. This concept note will be presented for adoption at the FSG meeting in May to serve as the guide for the orientations and activities of the workstream. FSG members should be prepared to indicate their interest in joining the overall task team or any of the sub-teams at that meeting. USAID will lead a sub-team charged with developing a cross-cutting issues paper. The aim is to produce this paper early in the process so that it can inform the work of the sectoral sub-teams.

25. Phase 2: Identifying Good Practice. A series of papers managed by four sub-teams will identify and document good practice. The four sub-teams will also produce specific papers on health, education, potable water and policing. The task team will work with the sub-teams to develop terms of reference for each group. These terms of reference draw on the cross-cutting issues paper to lay out a common methodology and approach for the research that the sub-teams will refine through their work. The intention is that each sub-team should canvas their own organizations and other members to identify good practices and practical guidance. These lessons will form the basis for recommendations. The sub-teams are currently divided as follows:

- *Health:* The HLF Secretariat for Health MDGs will take the lead on the health sub-team. This team will draw on the outputs of the team working on the Health Millennium Development Goals. USAID will join this team to contribute the work of its Global Health Bureau.
- *Education:* UNICEF has volunteered take the lead on education.
- *Policing:* The OECD/DAC secretariat, through its Conflict Peace and Development Co-operation Network (CPDC), has expressed an interest in chairing the policing sub-team, pending member approval. This will build on the CPDC's work regarding SSR.
- *Potable Water:* The task team is still seeking a lead organization for this sub-team.

26. Phase 3: Synthesis. The five sub-team papers will serve as the foundation for a final synthesis paper. The FSG Secretariat will be asked to commission and oversee its production, assuming there are sufficient voluntary contributions from members to cover the cost. The final paper will be completed in summer 2006 for presentation to the Senior-level Forum on Fragile States.

27. Key dates include:

May 27, 2005	Concept Paper adopted by the FSG ; Sub-Task Teams formed
July 1, 2005	Contexts/Cross-Cutting issues paper completed by USAID
November 2005	Work of health subgroup presented at Health MDG Forum
December 2005	Update to the SLM at the DAC
Winter 2006	Sub-Team Papers completed.
Spring 2006	Synthesis Paper commissioned
December 2006	DAC Synthesis paper presented